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Authority E.O. 12958

By UB NARA Date 4-7-05

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: April 24, 1974

TIME: 12:00 Noon

PLACE: The Secretary's Office

SUBJECT: World Food Problem

PARTICIPANTS: Senator Hubert H. Humphrey
The Secretary
Ambassador Edwin Martin
Paul H. Boeker, S/P (Notetaker)

Senator Humphrey said that he thought the Secretary's UN Speech was great. The Secretary thanked him, welcomed the opportunity to discuss the food problem and noted that he would like to speak with the Senator alone for ten minutes after the discussion of the food problem.

[Omitted here is discussion unrelated to food policy.]

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[Omitted here is discussion unrelated to food policy.]

Senator Humphrey turned to the food problem and said he had a outline for his May 9 speech which contains some proposals the Secretary might want to look at. The Secretary said that he would be delighted to do so and noted that he was in the process of beating his people to follow up the initiatives in his UN Speech, including those in the food area. Senator Humphrey said there is an urgency in the world food situation that goes beyond the World Food Conference. The need on a worldwide basis is \$3 to 4 billion in new assistance for the so-called Fourth World. The challenge for the U.S. is to put down some earnest money toward this goal and to do so in the form of food aid since this is the area where we are the main producers and the key factor in the world situation.

Under his proposal, Senator Humphrey continued, Fourth World countries (the lowest income LDCs) would purchase food grains at the world market prices, with that part representing the July 1, 1972 price being paid on commercial terms and the balance being sold on highly concessional terms, that is, the softest PL 480 Title I terms. The U.S. would use the PL 480 mechanism to finance the concessional part. The Senator believed that the Congress would cooperate with the Administration in supporting a US initiative along these lines. The Secretary asked whether it was correct that grain prices had roughly doubled since July 1, 1972. The Senator replied that this was about correct. He said the proposal would amount to selling wheat for about \$1.80 per bushel cash and about \$1.80 in long-term credit -- assuming that the price falls to about \$3.60. The Secretary asked whether the United States would do this alone under the Senator's proposal or whether others would have to join in. The Senator replied that we would do it only if other food producers did the same, in proportion to their share of the market.

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The Senator said that although he planned to make this proposal in his May 9 speech, his concern was getting the job done, not taking credit for it. The Secretary responded that it would certainly not harm the prospects for action of this kind if a proposal came first from Senator Humphrey.

The Secretary said he couldn't agree more that something should be done in the food area. He turned to Mr. Boeker and asked that he and Mr. Enders staff out the Senator's proposals in preparation for a discussion of them at the staff meeting to consider follow up on his UN Speech.

The Senator said he wanted to urge the Secretary to take action on the World Food Program as well. He said that at present the US commitment to the World Food Program was limited to providing 32% of total pledges up to a World Food Program level of \$440 million. He thought it would be a significant inducement to others to contribute more if the U.S. raised this ceiling to \$650 million; the maximum US contribution would then be 32% of \$650 million or \$280 million. He said that no Congressional authorization would be required for the Administration to take this step.

Mr. Boeker asked the Senator how one would deal with the effect significantly increased PL 480 could have on domestic prices. Senator Humphrey responded that in the post-World War II era the United States had given away virtually every last grain of food we had in our reserves. By way of contrast, we now have 175 million bushels of wheat in reserves. By July, the Senator continued, we should have 450 million bushels in reserves. If we get a good wheat crop we will have a good grain crop.

Senator Humphrey stressed that what he wanted was that the Department of State get on top of the Department of Agriculture, which he described as being dominated by domestic considerations, and a very conservative view of domestic considerations at that. He was convinced that the amounts of grains he was talking about could be declared as "available" under existing PL 480 criteria -- perhaps with a little stretching. However, if the Department of State thought that PL 480 availability criteria need to be amended to facilitate a program of the kind he was describing, he could guarantee such an amendment.

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On fertilizer, Senator Humphrey noted that he had not yet thought through all the implications of this aspect of his outlined speech. He did think, however, that the key factor to concentrate on was that \$1 of US fertilizer exports produces \$5 worth of crops in developing countries. He noted that he himself had earlier urged the Cost of Living Council to include an export restraint on fertilizer in its action lifting price controls on fertilizer. But perhaps one should now take a different view. He stressed that the existing application of fertilizer by farmers in the United States is wasteful. At recent prices, applications of fertilizer have apparently been so heavy that the marginal returns must be very low.

One thing we certainly need to do, Senator Humphrey continued, is to get the World Bank into the fertilizer field, particularly in the Middle East where large amounts of natural gas are being flared. The Secretary noted that we will definitely do something in this area. The Senator said that the United States should even agree to purchase some of the output of Middle East fertilizer plants if that was necessary to make such projects go.

Turning to the recent supplemental Foreign Assistance requests, Senator Humphrey said that AID has been under a lot of pressure to divert funds from Agricultural programs to other purposes. He said that we (the Senate?) do not like this. He personally supported the continuation of some transfer authority in Foreign Assistance legislation, but said that this would become difficult if there were too much goosing around with this provision. He hoped this would not be the case with the funds for agriculture in the supplemental request.

The Secretary said that he considered food and energy, and after that raw materials, to be the big new problems in international relations. In these areas we have to be innovative and demonstrate US leadership. The U.S. does have the capability to lead on the food problem, and we can thereby set an example for energy producers and others. The Secretary noted that he had a meeting scheduled May 14 with outside experts on the world food problem. The Senator said he was delighted and wanted through his staff to suggest additional names for the Secretary's consideration. Ambassador Martin said that he would be in touch with Mr. Cardero to get his thoughts on further names.

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In closing the Secretary noted that he was very sympathetic to the Senator's point of view on these issues and that we would be pressing consideration within the Government on food issues looking towards some fairly firm decisions by the end of May.

Drafted: S/P:PHBoeker:vb
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